

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 311 - HB 1481

March 4, 2023

SUMMARY OF BILL: Requires gold and silver coinage to be accepted as legal tender, at their spot price. Requires costs incurred in the course of verification of the weight and purity of gold and silver coinage during a transaction to be borne by the receiving entity. Clarifies that no person is required to use gold or silver coinage in the payment of any debt and that federal reserve notes still may be used in the payment of any debt. Requires the Commissioner of Revenue to accept gold and silver coinage for the purpose of the payment of taxes.

Requires any gold or silver coinage received lawfully by the state of Tennessee to be stored in a depository institution, with the value of the gold and silver attributed to the balance of the Rainy Day Fund. Stipulates that gold and silver must be the last to be liquidated, after all other funds in the Rainy Day Fund have been expended.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$1,000,000/FY23-24
Exceeds \$500,000/FY24-25 and Subsequent Years**

**Increase Local Expenditures – Exceeds \$1,000,000/FY23-24*
Exceeds \$500,000/FY24-25 and Subsequent Years***

Other Fiscal Impact – The precise impact on state earnings revenue is unknown and is expected to vary considerably based on the status of financial market performance at any future time.

Assumptions:

- The proposed legislation will impose significant administrative burdens on the Department of Revenue (DOR), other state departments, and local governments.
- The spot price of gold and silver is constantly fluctuating, making it challenging to ensure the proper amount of gold and silver was provided by a taxpayer to cover their tax liability.
- It is assumed that DOR, other departments, and local governments will be responsible for covering the costs incurred in the course of verifying the weight and purity of any gold or silver coinage used to cover a tax liability.
- Valuing gold and silver coinage will require the hiring of new personnel, and will require new personnel receive extensive training to ensure the coinage is being handled

and valued appropriately. Additionally, DOR, other departments, and local governments will require business subscription services, new systems, and equipment.

- Currently, the Texas Gold Bullion Depository has a 25-basis point charge on account balances between \$25,000,000 and \$50,000,000, with negotiable fees for higher account balances. Balances lower than \$25,000,000 have incrementally higher charges.
- For the purposes of this analysis, it is assumed that the annual expenses for all storage and maintenance services associated with maintaining physical gold and precious metal bullion or specie at a state depository will correspond to up to 25-basis point charge on account balances.
- Therefore, the estimated recurring increase in state expenditures will be up to \$125,000 ($\$50,000,000 \times 0.25\%$) per \$50,000,000 invested in FY23-24 and subsequent years.
- The proposed legislation will require DOR to hire a service to transport gold and silver coinage to a depository institution.
- The proposed legislation is reasonably expected to increase total state expenditures by an amount exceeding \$1,000,000 in FY23-24 and an amount exceeding \$500,000 in FY24-25 and subsequent years.
- The proposed legislation is reasonably expected to increase total local expenditures by an amount exceeding \$1,000,000 in FY23-24 and an amount exceeding \$500,000 in FY24-25 and subsequent years.
- Any impact on state revenue resulting from fluctuations in the price of gold and silver is unknown and expected to vary considerably based on the status of financial market performance at any future time.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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